

NEVADA CAPITAL INVESTMENT CORPORATION

MINUTES OF BOARD OF DIRECTORS MEETING

Thursday, March 27, 2014

Chair Kate Marshall called the meeting of the Board of Directors of the Nevada Capital Investment Corporation (NCIC) to order at 1:30 p.m., on Thursday, March 27, 2014. The meeting was held via videoconference at the Grant Sawyer Building, 555 East Washington Avenue, Suite 5100, Las Vegas, Nevada, and teleconferenced to the Nevada State Capitol, Guinn Media Room, 101 North Carson Street, Carson City, Nevada.

Present at the meeting:

Board Members

Chair Kate Marshall
Vice Chair Terry Shirey
David Goldwater
Jerrie Merritt
James York

Staff

Mark Mathers,	Chief Deputy Treasurer
Tara Hagan,	Sr. Deputy Treasurer
Shane Chesney,	Sr. Deputy Attorney General

AGENDA

1) Call to order (Chair Marshall)

The meeting was called to order at 1:32 p.m.

2) Roll Call (Tara Hagan)

All members were present representing a quorum. Staff indicated the meeting was properly noticed and the agenda posted in accordance with the Nevada Open Meeting Law.

3) Public Comment

None.

4) Approval of November 5, 2013 meeting minutes (Chair Marshall)

Motion made by Ms. Merritt to approve the meeting minutes as stated, and seconded by Vice Chair Shirey. Motion passed unanimously.

5) Presentation of Silver State Opportunities Fund quarterly report for period ending December 31, 2013 (Dave Helgerson/ Miguel Luina – Hamilton Lane)

Hamilton Lane Representatives presented the Silver State Opportunities Fund (SSOF) quarterly report for period ending March 31, 2014. The Hamilton Lane representative updated the Board regarding the current status of the investments in the Fund and the overall private equity market environment. The representatives noted that private equity and venture capital are currently experiencing a strong market with fund raising and investment exits and pacing at all-time highs. He noted the current market environment is evident in Nevada as companies' pricing expectations are also at all-time highs which are slowing deal flows both across the country and in the Nevada. The Representative stated the demand for higher prices is being driven by the low cost of debt which allows companies to borrow more money and by the rise in the public equity market. He noted the Fund is currently approximately one-third of the way through its four year investment period and that the pacing of capital for investments is on track with one-third of the capital having been committed to both fund investments and co-investments.

The Hamilton Lane Representative presented the SSOF financial information for period ending March 31, 2014. He stated the Fund currently has three fund investments and two of the three funds are either out or nearly out of the J-curve. He stated the third fund is anticipated to be out of the J-curve within the next year. He noted the three managers are extremely high quality and that Hamilton Lane expects these managers to provide the type of returns the Board is expecting.

Chair Marshall questioned whether the fund managers have made investments in Nevada businesses to date.

The Representative noted Waterton Global Resources has invested \$95 million in Nevada to date and expects to increase its investment in Nevada by multiples of five or six times this amount. He noted the other two managers have opened offices in Nevada and expect to close on Nevada opportunities in the near term.

Chair Marshall questioned where the offices are located in the State and how many employees are housed and employed in Nevada from these funds.

The Representative noted that Waterton has two offices in the State which are located in Hawthorne and Winnemucca. He stated several Waterton employees work in these offices regularly but currently there aren't any Waterton employees based in Nevada. He noted Huntington Capital has offices in Las Vegas and Reno and employs two full-time professionals in each office. He stated Enhanced Capital has an office in Las Vegas and is currently seeking a full-time professional for this office.

Mr. York questioned how the \$95 million represented or divided within the State.

The Representative noted the \$95 million is invested in four mines, two near Hawthorne and two near Winnemucca.

The Representative provided an update on the Fund's co-investment with Miller Heiman. He noted the company has doubled in size due to both a restructuring and an acquisition which has increased the employees in the Reno-based headquarters by 30%. He noted this investment has been progressing nicely.

Chair Marshall requested how many new employees were hired as a result of the 30% increase.

The Representative noted 10 new employees have been hired to date with the expectation that this number will continue to increase.

Chair Marshall noted the capital committed is \$14.5 million but the amount actually invested is \$3.8 million. She questioned where the monies which have been committed but not invested are currently being held and if these funds are receiving interest.

The Representative stated the amount invested to date is \$3.8 million and the monies committed but not invested remain under the control of the Treasurer's Office earning interest in the Permanent School Fund in accordance with the fund's asset allocation.

6) Update regarding the Silver State Opportunities Fund Investment Activity (Dave Helgersen/ Miguel Luina – Hamilton Lane)

Hamilton Lane Representative provided an update to the Board regarding its investment activities during the prior quarterly ending March 31, 2014. He noted the fund has committed 30% of the total capital to date and continues to actively seek investments in both fund investments and co-investments. He noted Waterton is seeking to invest another \$400 to \$600 million in Nevada. He stated both Enhanced and Huntington Capital are committed to investing a minimum of \$5 million to the State and are actively seeking investments in Nevada. The Representative stated Hamilton Lane had discussions with approximately 125 opportunities of which 80 were referred to private equity firms which resulted in 20 site visits at these businesses. He noted of the 20 site visits approximately 12 of these visits have resulted in term sheets being issued to the prospective businesses. He noted due to the limited private equity activity in Nevada previously, the discussions generally take more time due to the learning curve of businesses in Nevada.

Mr. York inquired about the business opportunities in southern Nevada and requested additional details.

The Representative noted the current opportunities include a financial services business, communication business and manufacturing which are all seeking growth equity. He noted they have encountered several businesses in southern Nevada which are attractive potential investments. He stated a little over half of the current deals are in southern Nevada.

7) Presentation of NCIC's Fiscal Year 2013 Financial Statements (Dan Carter, Kafoury Armstrong)

The Representative with Kafoury, Armstrong and Co. presented the 2013 Fiscal Year NCIC Financial Statements to the Board. He noted the firm did issue NCIC an unmodified opinion which is the highest opinion which can be issued. He stated the use of the term unmodified is new in the industry this year. He opined that the terminology previously used was unqualified which caused confusion as unqualified has a negative connotation, hence the change to unmodified. He noted unmodified indicates the firm didn't have any modifications or clean-up to report. He noted the firm didn't have any concerns to report with the NCIC internal audit controls.

Mr. Goldwater questioned if the audit of NCIC considers the role of the custodian to ensure false reporting is not occurring.

The Representative noted the Silver State Opportunities Fund is audited separately by another firm and it would be this audit which would audit the reporting by the custodian.

8) Board Review and approval for staff to begin contract negotiations with Kafoury, Armstrong and Co. to perform the annual audit of the NCIC financial statements for fiscal years 2014-2017 (Mark Mathers)

Mr. Mathers requested the Board's approval to enter into a four-year contract with Kafoury, Armstrong and Co. to provide an annual audit of the NCIC financial statements for fiscal years 2014-2017. He noted staff conducted a formal solicitation and received two proposals. He stated Kafoury, Armstrong and Co. has the experience necessary to conduct these audits with reasonable fees.

Mr. York questioned if the firm has experience in auditing similar arrangements in other states.

The Representative noted that although it does not have direct experience with a structure identical to NCIC it does have experience in auditing governmental public benefit plans in which private equity investments are a portion of the audit.

9) Public Comments

None.

The meeting was closed at 2:31 PM.

Attest:



Tara Hagan, Secretary to the Board